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Board Chair

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**FRANKLIN REGIONAL RETIREMENT SYSTEM**  
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Mary A. Stokarski  
Elected Board Member

Paul Mokrzecki  
Appointed Board  
Member

Dale Kowacki  
Executive Director

**MEMORANDUM**

date: January 11, 2013

to: Administrative Officials, and “Treasurers” of Member Units

from: Dale Kowacki, Executive Director

re: Explanation of Changes in Assessments FY2013 to FY2014

cc: Board members of this retirement system

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Every year, in varying numbers, I am asked, “Why did my assessment go up?”, and each year I am able to describe in general terms the influences that cause changes in assessment figures – and I will do that again this year - below. However, I thought this year, in addition, I would give a much more detailed analysis with facts and figures for those who can follow along. I am also quite willing to host a discussion of the deeper complexities – and will gauge response to this report before I try to organize an event. If response indicates more conversation would be helpful – watch for an email from me to schedule a date and time.

**Why did my assessment go up? - Short answer:**

Your assessment is a share of the total assessment that the retirement system must raise each year to fund employee retirements. The total assessment comes from a biennial calculation of how much all the retirements would cost, less the funds we currently have on hand to pay those retirements. Any shortfall in full funding of those obligations is set up as an annual payment plan over 20 to 30 years. The expense side of the calculation is influenced by employment and retirement patterns (rate of pay increase, salary levels, age at retirement, COLA granted to retirees, etc.). The funding side of the calculation is really just “how much is in the bank”, however, the bank for us is really investments, and so the chief influence on funding is how well our investments do and what the balance happens to be at the time the calculation is done. If investments happen to be high at the time, the amount to assess is less, if the investment balances are low, the assessments go up. The most recent calculation still includes some share of the investment losses of 2008-2009, consequently our assessments are higher than if the losses hadn’t happened.

One other cause and effect is the shift in payroll levels between the member units. Each year the total assessment is divvied up between the units based on their annual salaries. Each year the salaries go up and down differently for each unit because of added positions, layoffs, pay increases, etc., therefore, each unit’s share of the total changes is based on its relationship to the other units.

**Why did my assessment go up? - Long answer:**

The assessment is essentially a mortgage payment against what you owe your employees for their future retirement. Every 2 years that amount is calculated and the payment schedule is redone. The calculation is mainly a measure of the demographics of your employees, how well you treat them, how long you keep them, how much you pay them, and for how much (and how long) they get a retirement benefit.

These are the many factors that influence the calculation:

- How long they work for you.
- At what age they retire.
- Were they injured while in your employ, and did they retire on disability.
- What is the average age of your employees.
- What is the average salary.
- Do you lay-off lower-paid positions and retain higher-paid positions.
- How long are people living beyond retirement.
- How many of the members are new and paying-in at the higher deduction rate.
- What is the average years of service sitting on the books currently.
- Has the retirement board increased the threshold for retirees' COLA.
- How far out is life expectancy after retirement.
- How many people have left the area and how much will we have to pay towards their retirement.

Any change in these factors takes years to have an effect because changes are nearly always prospective and not retroactive, so the practices of the past stay on the books for years to come.

The chart below shows the increase in the "Actuarial Accrued Liability" ("AAL") from 2 years ago to now. The 13.4% increase from \$119 million to \$135 million is a direct result of demographics and compensation patterns as listed above. The AAL is the calculation result indicating the present value of all the retirements, past and future.

	<b>January 1, 2012</b>	<b>January 1, 2010</b>	<b>Percentage Change</b>
<b>Actuarial Accrued Liability as of January 1, 2012</b>			
a. Active Members	\$71,129,850	\$62,901,777	13.1%
b. Inactive Members	3,078,801	4,033,816	-23.7%
c. Retired Members and Beneficiaries	<u>61,114,543</u>	<u>52,413,657</u>	16.6%
d. Total	\$135,323,194	\$119,349,250	13.4%

This next chart gives a sense of some of the trends in demographics. As you can see, our membership is getting closer to retirement, racking-up more years, and increasing their earnings – all of which increase the amount of future retirements – and drive up the accrued liability.

### *HISTORY OF ACTIVE PARTICIPANTS*

<b>Valuation Year</b>	<b>Number</b>	<b>Average Age</b>	<b>Average Past Service</b>	<b>Average Ann'l Compensation</b>
2012	929	49.0	10.9	\$32,333
2010	969	48.1	10.1	\$30,400
2008	1,227	47.7	9.3	\$24,696
2006	1,131	47.5	9.1	\$23,191
2003	1,155	46.1	7.4	\$17,923
2001	1,222	45.7	10.8	\$36,945
1999	1,163	45.5	7.2	\$15,806

The assessment is an annual payment that is meant to help make-up the difference between the calculated AAL, and the amount of funds we have to put towards the AAL. The difference is known as the “Unfunded Liability”. The chart below shows the calculation of the Unfunded Liability. Note that, even though our increase of available funds (“Actuarial Value of Assets”) from last time to this is 7.8%, it doesn’t rival the 13.4% increase in liability.

#### **Unfunded Actuarial Accrued Liability**

a. Actuarial Accrued Liability	\$135,323,194	\$119,349,250	13.4%
b. Less Actuarial Value of Assets	<u>85,648,257</u>	<u>79,458,638</u>	7.8%
c. Unfunded Actuarial Accrued Liability	\$49,674,937	\$39,890,612	24.5%
d. Eighteen month Adjustment	<u>\$ 2,863,368</u>	<u>\$2,006,396</u>	
e. Unfunded Actuarial Accrued Liability	\$52,538,305	\$41,897,008	

As you can see, the assessment is driven by large-scale factors and trends. Individual actions have very little impact on the amount of the unfunded liability. Likewise, I can’t tease out what part of the change in the unfunded liability belongs to each town – it’s a pooled fund where change happens in response to general trends (i.e. retire the old, hire the young; restrict membership; increase life expectancy; delayed retirements, etc.), so I can only say that everyone’s assessment increased because of various influences – and I can’t put any numbers to any of those influences.

There is one aspect of “why your assessment changed” that I can dial-in on – and that is the change in your share of the annual assessment from last year to this. I will soon explain that, but as a segue, please let me share with you (below) the previous and current funding schedules. When reading them you can see how the scheduled annual payments changed from the last valuation (1/1/2010) to the latest valuation (1/1/2012).

- The years are listed down the left-hand side of each chart, the payments are listed on the right-hand side.
- The “normal cost” is the amount of future retirement liability that is attributable to each particular year.
- The “funding amortization of UAL” is the mortgage payment against the unfunded liability (listed to the left).
- The “Net 3(8)(c) payments” is the net outflow of payments we make to other systems towards the retirements of transferred members.
- Note: these schedules change every 2 years so don’t hang your hat on these numbers for too long because they will go up or down in 2 years based on the influence of all the above mentioned factors.

## 2010

Fiscal Year	Normal Cost	Unfunded Liability	Funding Amortization of UAL	Net 3(8)(c) Payments	Schedule Contribution	Adjusted for Semiannual Payments
2012	1,678,427	41,897,008	3,046,255	273,683	4,998,365	5,093,076
2013	1,749,760	41,910,250	3,168,245	273,683	5,191,688	5,290,063
2014	1,824,125	41,792,938	3,295,432	273,683	5,393,240	5,495,433
2015	1,901,650	41,529,185	3,428,037	273,683	5,603,370	5,709,545
2016	1,982,470	41,101,613	3,566,291	273,683	5,822,444	5,932,771
2017	2,066,725	40,491,229	3,710,434	273,683	6,050,843	6,165,497
2018	2,154,561	39,677,283	3,860,719	273,683	6,288,963	6,408,129
2019	2,246,130	38,637,118	4,017,405	273,683	6,537,218	6,661,088
2020	2,341,591	37,346,016	4,040,283	273,683	6,655,556	6,781,669
2021	2,441,108	35,928,560	4,168,448	273,683	6,883,239	7,013,666
2022	2,544,855	34,261,221	4,346,024	273,683	7,164,562	7,300,320
2023	2,653,012	32,271,018	4,531,165	273,683	7,457,859	7,599,174
2024	2,765,765	29,924,367	4,724,192	273,683	7,763,640	7,910,749
2025	2,883,310	27,184,689	4,925,443	273,683	8,082,435	8,235,585
2026	3,005,850	24,012,162	5,135,267	273,683	8,414,800	8,574,248
2027	3,133,599	20,363,451	5,354,029	273,683	8,761,311	8,927,324
2028	3,266,777	16,191,414	5,582,111	273,683	9,122,570	9,295,429
2029	3,405,615	11,444,786	5,819,909	273,683	9,499,206	9,679,202
2030	3,550,354	6,067,837	6,067,837	273,683	9,891,873	10,079,309
2031	3,701,244	0	-	273,683	3,974,927	4,050,245

## 2012

Fiscal Year	Normal Cost	Unfunded Liability	Funding Amortization of UAL	Net 3(8)(c) Payments	Schedule Contribution	Adjusted for Semiannual Payments
2014	1,749,252	52,538,305	3,535,291	286,000	5,570,543	5,676,096
2015	1,823,595	52,862,001	3,669,397	286,000	5,778,992	5,888,495
2016	1,901,098	53,066,522	3,808,867	286,000	5,995,965	6,109,580
2017	1,981,895	53,136,695	3,953,917	286,000	6,221,811	6,339,705
2018	2,066,125	53,055,922	4,104,768	286,000	6,456,893	6,579,241
2019	2,153,936	52,806,057	4,261,653	286,000	6,701,589	6,828,573
2020	2,245,478	52,367,276	4,284,331	286,000	6,815,808	6,944,958
2021	2,340,911	51,869,478	4,411,863	286,000	7,038,773	7,172,147
2022	2,440,399	51,194,902	4,588,337	286,000	7,314,736	7,453,339
2023	2,544,116	50,276,832	4,771,871	286,000	7,601,987	7,746,033
2024	2,652,241	49,088,477	4,962,745	286,000	7,900,987	8,050,698
2025	2,764,961	47,600,633	5,161,255	286,000	8,212,217	8,367,826
2026	2,882,472	45,781,479	5,367,705	286,000	8,536,178	8,697,925
2027	3,004,977	43,596,358	5,582,414	286,000	8,873,391	9,041,528
2028	3,132,689	41,007,542	5,805,710	286,000	9,224,399	9,399,187
2029	3,265,828	37,973,977	6,037,939	286,000	9,589,767	9,771,478
2030	3,404,626	34,451,001	6,279,456	286,000	9,970,082	10,159,000
2031	3,549,322	30,390,054	6,530,634	286,000	10,365,957	10,562,376
2032	3,700,169	25,738,349	6,791,860	286,000	10,778,028	10,982,256
2033	3,857,426	20,438,525	7,063,534	286,000	11,206,960	11,419,315
2034	4,021,366	14,428,271	7,346,076	286,000	11,653,442	11,874,257
2035	4,192,275	7,639,919	7,639,919	286,000	12,118,193	12,347,814
2036	4,370,446	0	-	286,000	4,656,446	4,744,679

I think you all know and understand how we allocate the total assessment amongst you all – we divvy it up based on current annual salaries. Below is the spreadsheet I use to calculate the allocation.

	salaries	percent	Early R.I.	Gen. Assessment	Semi Annual Total	July 1 Full Pay
Town of Ashfield	410,425	1.33%	-	73,063	73,063	71,704
Town of Bernardston	443,508	1.43%	-	78,556	78,556	77,095
Bernardston Fire & Water District	14,455	0.05%	-	2,747	2,747	2,696
Town of Buckland	542,898	1.75%	7,140	96,136	103,276	101,355
Town of Charlemont	317,806	1.03%	-	56,583	56,583	55,531
Town of Colrain	339,742	1.10%	9,483	60,428	69,911	68,611
Town of Conway	805,780	2.60%	-	142,830	142,830	140,174
Town of Deerfield	2,530,697	8.18%	-	449,365	449,365	441,009
Town of Erving	1,312,343	4.24%	-	232,923	232,923	228,592
Franklin County Regional Housing Authority	1,232,708	3.98%	-	218,640	218,640	214,574
Franklin County Solid Waste Management D	122,105	0.39%	-	21,424	21,424	21,026
Franklin Regional Council of Governments	2,187,317	7.07%	-	388,387	388,387	381,165
Franklin Regional Transit Authority	317,320	1.03%	-	56,583	56,583	55,531
Frontier Regional School District	1,842,570	5.95%	5,670	326,861	332,531	326,347
Town of Gill	386,023	1.25%	11,927	68,668	80,595	79,096
Hawlemont Regional School District	271,648	0.88%	-	48,342	48,342	47,443
Town of Hawley	116,402	0.38%	-	20,875	20,875	20,487
Town of Heath	256,105	0.83%	-	45,596	45,596	44,748
Town of Leyden	124,870	0.40%	-	21,974	21,974	21,565
Town of Leverett	864,427	2.79%	13,296	153,267	166,563	163,466
Mahar Regional School District	1,271,618	4.11%	-	225,781	225,781	221,582
Mohawk Regional School District	2,707,087	8.75%	-	480,678	480,678	471,739
Town of Monroe	87,732	0.28%	-	15,382	15,382	15,096
Town of New Salem	208,102	0.67%	-	36,806	36,806	36,122
New Salem/Wendell Union School District	595,034	1.92%	8,994	105,474	114,468	112,339
Town of Northfield	809,889	2.62%	18,868	143,929	162,797	159,770
Town of Orange	3,946,572	12.77%	77,633	701,515	779,148	764,657
Orange Housing Authority	45,302	0.15%	-	8,240	8,240	8,087
Pioneer Valley Regional School District	2,042,898	6.60%	15,642	362,568	378,210	371,177
Town of Rowe	601,535	1.94%	10,661	106,573	117,234	115,054
Town of Shelburne	528,775	1.71%	-	93,938	93,938	92,191
Shelburne Falls Fire District	202,441	0.65%	-	35,707	35,707	35,043
Town of Shutesbury	820,328	2.65%	-	145,577	145,577	142,870
South Deerfield Fire District	59,691	0.19%	-	10,438	10,438	10,244
South Deerfield Water Supply District	120,120	0.39%	-	21,424	21,424	21,026
Town of Sunderland	1,153,779	3.73%	-	204,906	204,906	201,096
Town of Warwick	254,842	0.82%	-	45,046	45,046	44,208
Town of Wendell	194,618	0.63%	3,324	34,609	37,933	37,228
Town of Whately	852,508	2.76%	-	151,619	151,619	148,799
<b>totals:</b>	<b>30,942,020</b>	<b>100.00%</b>	<b>182,638</b>	<b>5,493,458</b>	<b>5,676,096</b>	<b>5,570,543</b>

Below is a presentation of your assessments for this year and next. (The next page will show the change between the two years.) Note that the amount at the bottom right is the total increase in the assessment between years – as per the funding schedule(s) above.

	FY2013 (Old Year)			FY2014 (New Year)		
	salaries	share	Assessment - (does not include ERIs)	salaries	share	Assessment - (does not include ERIs)
Ashfield	401,192	1.3312%	67,929	410,425	1.3264%	73,063
Bernardston	422,425	1.4017%	71,504	443,508	1.4334%	78,556
Bernardston Fire & Water	15,622	0.0518%	2,554	14,455	0.0467%	2,747
Buckland	519,315	1.7232%	87,848	542,898	1.7546%	96,136
Charlemont	310,744	1.0311%	52,606	317,806	1.0271%	56,583
Colrain	325,746	1.0809%	55,160	339,742	1.0980%	60,428
Conway	741,240	2.4595%	125,643	805,780	2.6042%	142,830
Deerfield	2,456,935	8.1524%	416,255	2,530,697	8.1788%	449,365
Erving	1,214,324	4.0293%	205,829	1,312,343	4.2413%	232,923
Franklin Regional Housing	1,216,480	4.0364%	206,340	1,232,708	3.9839%	218,640
Franklin Solid Waste	124,655	0.4136%	20,940	122,105	0.3946%	21,424
Franklin Council of Governments	2,036,188	6.7563%	345,262	2,187,317	7.0691%	388,387
Franklin Transit Authority	218,574	0.7253%	37,284	317,320	1.0255%	56,583
Frontier Regional School	1,747,771	5.7993%	296,231	1,842,570	5.9549%	326,861
Gill	367,973	1.2210%	62,311	386,023	1.2476%	68,668
Hawlemont Regional School	272,792	0.9052%	46,478	271,648	0.8779%	48,342
Hawley	107,107	0.3554%	18,387	116,402	0.3762%	20,875
Heath	253,247	0.8403%	42,902	256,105	0.8277%	45,596
Leyden	115,355	0.3828%	19,408	124,870	0.4036%	21,974
Leverett	945,513	3.1373%	160,373	864,427	2.7937%	153,267
Mahar Regional School	1,377,269	4.5699%	233,409	1,271,618	4.1097%	225,781
Mohawk Regional School	2,702,135	8.9660%	458,136	2,707,087	8.7489%	480,678
Monroe	98,421	0.3266%	16,855	87,732	0.2835%	15,382
New Salem	198,674	0.6592%	33,709	208,102	0.6726%	36,806
New Salem/Wendell School	573,061	1.9015%	97,041	595,034	1.9231%	105,474
Northfield	771,710	2.5606%	130,750	809,889	2.6174%	143,929
Orange	3,796,674	12.5978%	643,024	3,946,572	12.7547%	701,515
Orange Housing	44,387	0.1473%	7,661	45,302	0.1464%	8,240
Pioneer Valley Regional	2,036,184	6.7563%	345,262	2,042,898	6.6023%	362,568
Rowe	590,998	1.9610%	100,106	601,535	1.9441%	106,573
Shelburne	592,490	1.9660%	100,616	528,775	1.7089%	93,938
Shelburne Falls Fire	188,022	0.6239%	31,666	202,441	0.6543%	35,707
Shutesbury	829,218	2.7514%	140,454	820,328	2.6512%	145,577
South Deerfield Fire	60,219	0.1998%	10,215	59,691	0.1929%	10,438
South Deerfield Water	178,714	0.5930%	30,134	120,120	0.3882%	21,424
Sunderland	1,112,347	3.6909%	188,464	1,153,779	3.7288%	204,906
Warwick	239,277	0.7940%	40,349	254,842	0.8236%	45,046
Wendell	195,440	0.6485%	33,198	194,618	0.6290%	34,609
Whately	739,087	2.4524%	125,132	852,508	2.7552%	151,619
<b>totals:</b>	<b>30,137,525</b>	<b>100%</b>	<b>5,107,425</b>	<b>30,942,020</b>	<b>100%</b>	<b>5,493,458</b>
<b>Increase in "Amount to be Raised" (as per Funding Schedule):</b>						<b>386,033</b>

The chart below shows results of calculations of the change in assessments between the years. Salaries may go up (Ashfield +9,233) but the share of the assessment could still go down (-0.0048%), however, there is still an increase in the assessment (+5,134, 7.56%) because the Accrued Actuarial Liability increased and there was not enough increase in the Investments to prevent an increase in the assessment.

	Increase/(decrease)			
	salaries	share	Assessment \$	%
Ashfield	9,233	-0.0048%	5,134	7.56%
Bernardston	21,083	0.0317%	7,052	9.86%
Bernardston Fire & Water	(1,167)	-0.0051%	193	7.56%
Buckland	23,583	0.0314%	8,288	9.43%
Charlemont	7,062	-0.0040%	3,977	7.56%
Colrain	13,996	0.0171%	5,268	9.55%
Conway	64,540	0.1447%	17,187	13.68%
Deerfield	73,762	0.0264%	33,110	7.95%
Erving	98,019	0.2120%	27,094	13.16%
Franklin Regional Housing	16,228	-0.0525%	12,300	5.96%
Franklin Solid Waste	(2,550)	-0.0190%	484	2.31%
Franklin Council of Governments	151,129	0.3128%	43,125	12.49%
Franklin Transit Authority	98,746	0.3002%	19,299	51.76%
Frontier Regional School	94,799	0.1556%	30,630	10.34%
Gill	18,050	0.0266%	6,357	10.20%
Hawlemont Regional School	(1,144)	-0.0273%	1,864	4.01%
Hawley	9,295	0.0208%	2,488	13.53%
Heath	2,858	-0.0126%	2,694	6.28%
Leyden	9,515	0.0208%	2,566	13.22%
Leverett	(81,086)	-0.3436%	(7,106)	-4.43%
Mahar Regional School	(105,651)	-0.4602%	(7,628)	-3.27%
Mohawk Regional School	4,952	-0.2171%	22,542	4.92%
Monroe	(10,689)	-0.0431%	(1,473)	-8.74%
New Salem	9,428	0.0134%	3,097	9.19%
New Salem/Wendell School	21,973	0.0216%	8,433	8.69%
Northfield	38,179	0.0568%	13,179	10.08%
Orange	149,898	0.1569%	58,491	9.10%
Orange Housing	915	-0.0009%	579	7.56%
Pioneer Valley Regional	6,714	-0.1540%	17,306	5.01%
Rowe	10,537	-0.0169%	6,467	6.46%
Shelburne	(63,715)	-0.2571%	(6,678)	-6.64%
Shelburne Falls Fire	14,419	0.0304%	4,041	12.76%
Shutesbury	(8,890)	-0.1002%	5,123	3.65%
South Deerfield Fire	(528)	-0.0069%	223	2.18%
South Deerfield Water	(58,594)	-0.2048%	(8,710)	-28.90%
Sunderland	41,432	0.0379%	16,442	8.72%
Warwick	15,565	0.0296%	4,697	11.64%
Wendell	(822)	-0.0195%	1,411	4.25%
Whately	113,421	0.3028%	26,487	21.17%

The unit with the largest percentage increase (FRTA, +51.76%) did so because they added three new positions as part of their move to the new building. South Deerfield Water decreased because they dropped from 3 positions to 2. (The third was just for last year while a new person was training.)

This last chart parses-out how much of the change in assessment is due to shift in salary share, and how much is due to the increased assessment total.

	<b>due to share increase/ (decrease)</b>	<b>due to "amount to be raised" increase</b>
Ashfield	(245)	5,379
Bernardston	1,617	5,435
Bernardston Fire & Water	(251)	444
Buckland	1,601	6,687
Charlemont	(204)	4,181
Colrain	873	4,395
Conway	7,392	9,795
Deerfield	1,348	31,762
Erving	10,830	16,264
Franklin Regional Housing	(2,684)	14,984
Franklin Solid Waste	(962)	1,446
Franklin Council of Governments	15,985	27,140
Franklin Transit Authority	15,432	3,867
Frontier Regional School	7,948	22,682
Gill	1,357	5,000
Hawlemont Regional School	(1,402)	3,266
Hawley	1,076	1,412
Heath	(643)	3,337
Leyden	1,055	1,511
Leverett	(17,564)	10,458
Mahar Regional School	(23,559)	15,931
Mohawk Regional School	(11,093)	33,635
Monroe	(2,224)	751
New Salem	685	2,412
New Salem/Wendell School	1,102	7,331
Northfield	2,900	10,279
Orange	8,009	50,482
Orange Housing	(47)	626
Pioneer Valley Regional	(7,870)	25,176
Rowe	(863)	7,330
Shelburne	(13,158)	6,480
Shelburne Falls Fire	1,543	2,498
Shutesbury	(5,115)	10,238
South Deerfield Fire	(353)	576
South Deerfield Water	(10,407)	1,697
Sunderland	1,935	14,507
Warwick	1,504	3,193
Wendell	(998)	2,409
Whately	15,450	11,037
	<b>0.00</b>	<b>386,033</b>

Margaret Nartowicz, the Town Administrator for Sunderland asked these specific questions:

“Would you please provide FCRS’s FY14 budget showing the expenses directly attributable to retirement benefits and all other expenses related to administration & operating? Is the assessment formula based on total salaries of the prior fiscal year? What are the FY14 assessment percentages for all member towns?”

Yes, the assessment is based on prior year salaries. September 2012 salaries are used to determine the FY2014 budget (starts July 1, 2013).

Below is a list of all the retirement systems in Massachusetts indicating their funded ratios, percentage of salaries, and date of their last valuation. Please note that we rank 22<sup>nd</sup> lowest out of 105 with a 17.60% assessment to salary percent as of 1/1/2012. I also want to mention that our funded ratio has risen to about 70% at the end of 2012.

Rank	System	Funded	% of Salar	Valuation Date	Year
1	Minuteman Reg.	104.00%	6.70%	01/01/2011	2011
2	MWRA	87.60%	6.90%	01/01/2011	2011
3	Greater Lawrence SD	89.50%	9.70%	01/01/2011	2011
4	Mass Housing Finance	77.40%	10.70%	01/01/2011	2011
5	State	73.80%	11.10%	01/01/2012	2012
6	Wellesley	75.80%	11.20%	01/01/2012	2012
7	Mass Port	89.70%	11.40%	01/01/2012	2012
8	Norwood	84.00%	11.50%	01/01/2010	2010
9	Concord	76.70%	13.60%	01/01/2012	2012
10	Marblehead	73.70%	14.20%	01/01/2012	2012
11	Cambridge	77.80%	14.60%	01/01/2012	2012
12	Worcester Regional	44.40%	14.70%	01/01/2012	2012
13	North Attleboro	73.40%	15.40%	01/01/2011	2011
14	Mass. Teachers	60.70%	15.80%	01/01/2012	2012
15	Andover	49.70%	16.20%	01/01/2012	2012
16	Northbridge	69.50%	16.50%	01/01/2010	2010
17	Lexington	78.30%	16.70%	01/01/2012	2012
18	Hingham	69.40%	16.80%	01/01/2012	2012
19	Needham	77.90%	17.30%	01/01/2011	2011
20	Dedham	71.90%	17.40%	01/01/2012	2012
21	Dukes County	67.00%	17.60%	01/01/2011	2011
22	<b>Franklin Regional</b>	63.30%	17.60%	01/01/2012	2012
23	Shrewsbury	70.80%	17.60%	01/01/2010	2010
24	Woburn	67.90%	18.60%	01/01/2010	2010
25	Essex Regional	51.90%	19.00%	01/01/2011	2011
26	Northampton	60.50%	19.00%	01/01/2012	2012
27	Norfolk County	60.00%	19.10%	01/01/2010	2010
28	Attleboro	65.10%	19.20%	01/01/2012	2012
29	Berkshire Regional	83.50%	19.20%	01/01/2011	2011
30	Barnstable	55.50%	19.50%	01/01/2012	2012
31	Danvers	58.60%	20.10%	01/01/2012	2012
32	Newton	55.00%	20.30%	01/01/2011	2011
33	Hampden County Regiona	48.90%	20.40%	01/01/2012	2012
34	Somerville	60.40%	20.80%	01/01/2011	2011
35	Braintree	62.40%	21.20%	01/01/2012	2012
36	Adams	80.90%	21.30%	01/01/2012	2012
37	Bristol County	59.30%	21.50%	01/01/2012	2012
38	Maynard	71.80%	21.50%	01/01/2011	2011
39	Middlesex	43.70%	21.60%	01/01/2012	2012
40	Framingham	67.30%	21.70%	01/01/2012	2012
41	Reading	68.00%	21.70%	07/01/2011	2012
42	Falmouth	58.90%	21.80%	01/01/2012	2012
43	Milford	62.10%	21.80%	01/01/2011	2011

45	Wakefield	66.50%	22.00%	01/01/2012	2012
46	Winchester	84.50%	22.00%	01/01/2011	2011
47	Blue Hills Reg	68.60%	22.10%	01/01/2012	2012
48	Hampshire County	55.50%	22.10%	01/01/2012	2012
49	Peabody	48.50%	22.10%	01/01/2012	2012
50	Worcester	67.70%	22.10%	01/01/2012	2012
51	Southbridge	49.10%	22.20%	01/01/2012	2012
52	Brockton	72.30%	22.30%	01/01/2011	2011
53	Amesbury	49.80%	22.90%	01/01/2012	2012
54	Fairhaven	63.40%	23.00%	01/01/2012	2012
55	Greenfield	61.10%	23.10%	01/01/2011	2011
56	Natick	64.00%	23.10%	01/01/2011	2011
57	Plymouth County	56.10%	23.10%	01/01/2011	2011
58	Taunton	61.90%	23.10%	01/01/2012	2012
59	Lowell	60.10%	23.20%	01/01/2011	2011
60	Clinton	65.60%	23.30%	01/01/2011	2011
61	West Springfield	53.20%	23.40%	01/01/2012	2012
62	North Adams	67.90%	23.50%	01/01/2011	2011
63	Marlborough	68.40%	24.00%	01/01/2011	2011
64	Boston	60.20%	24.30%	01/01/2010	2010
65	Plymouth	54.20%	24.40%	01/01/2010	2010
66	Malden	70.10%	24.60%	01/01/2012	2012
67	Medford	64.40%	24.70%	01/01/2010	2010
68	Easthampton	62.00%	24.90%	01/01/2012	2012
69	Weymouth	55.60%	25.00%	01/01/2012	2012
70	Milton	77.30%	26.20%	01/01/2011	2011
71	Montague	75.60%	26.20%	01/01/2012	2012
72	Lawrence	39.10%	27.40%	01/01/2010	2010
73	Brookline	55.80%	27.60%	01/01/2012	2012
74	Newburyport	60.90%	27.70%	01/01/2010	2010
75	Methuen	46.80%	27.90%	01/01/2012	2012
76	Gardner	55.30%	28.20%	01/01/2011	2011
77	Quincy	47.60%	28.50%	01/01/2010	2010
78	Winthrop	73.10%	28.80%	01/01/2011	2011
79	Athol	48.70%	29.40%	01/01/2011	2011
80	Gloucester	44.30%	29.40%	01/01/2012	2012
81	Salem	49.80%	29.50%	01/01/2012	2012
82	Waltham	55.80%	29.50%	01/01/2011	2011
83	Chicopee	60.10%	29.80%	01/01/2011	2011
84	Holyoke	50.90%	29.90%	01/01/2012	2012
85	Webster	49.30%	30.10%	01/01/2010	2010
86	Springfield	29.00%	30.30%	01/01/2012	2012
87	Saugus	67.80%	30.90%	01/01/2011	2011
88	Arlington	54.60%	31.00%	01/01/2011	2011

89	Chelsea	53.30%	31.30%	01/01/2011	2011
90	Melrose	55.70%	31.30%	01/01/2012	2012
91	New Bedford	41.60%	31.40%	01/01/2012	2012
92	Fitchburg	42.00%	31.50%	01/01/2012	2012
93	Fall River	46.10%	32.10%	01/01/2011	2011
94	Pittsfield	46.40%	32.20%	01/01/2011	2011
95	Belmont	51.30%	33.40%	01/01/2010	2010
96	Leominster	78.60%	33.80%	01/01/2011	2011
97	Hull	43.70%	34.30%	01/01/2012	2012
98	Beverly	51.10%	35.10%	01/01/2012	2012
99	Swampscott	46.20%	36.50%	01/01/2011	2011
100	Stoneham	66.10%	36.60%	01/01/2012	2012
101	Watertown	57.30%	36.80%	01/01/2010	2010
102	Haverhill	51.40%	37.50%	01/01/2010	2010
103	Everett	38.40%	38.20%	01/01/2012	2012
104	Lynn	46.00%	39.90%	01/01/2011	2011
105	Revere	57.60%	40.20%	01/01/2011	2011

Margaret's first question was about budget and expenses:

"Would you please provide FCRS's FY14 budget showing the expenses directly attributable to retirement benefits and all other expenses related to administration & operating?"

Which I can answer only with a selection of reports - because we only budget part of our expense: operations. Retirements are not budgeted per se – they are funded through the actuarial valuation, which as you know accounts for results, and calculates potentiality, but does not formally “budget” each year's retirement payroll. Therefore, I hope the three years of data on the Expenses page from the 2011 annual report (below) will give some sense of how much of our expenses are for retirements and how much are for operations. In addition I am providing a copy of our budget (as approved by the Board) for CY 2013, which is our fiscal year (yes, we are out of sync with the towns).

**Annual Statement of the Franklin Regional Retirement System for  
the Year Ended December 31, 2011**

**DISBURSEMENTS**

	<u>2011</u>	<u>2010</u>	<u>2009</u>
<b>1 Annuity Savings Fund:</b>			
(a) 5757-Refunds to Members	\$594,635.44	\$312,564.22	\$477,358.66
(b) 5756-Transfers to Other Systems	<u>447,249.56</u>	<u>441,656.71</u>	<u>188,938.30</u>
Subtotal	\$1,041,885.00	\$754,220.93	\$666,296.96
<b>2 Annuity Reserve Fund:</b>			
(a) 5750-Annuities Paid	\$1,067,196.96	\$964,187.80	\$883,456.18
(b) 5759-Option B Refunds	<u>\$12,596.54</u>	<u>0.00</u>	<u>0.00</u>
Subtotal	\$1,079,793.50	\$964,187.80	\$883,456.18
<b>3 Pension Fund:</b>			
(a) 5751-Pensions Paid			
Regular Pension Payments	\$4,285,709.50	\$3,989,389.16	\$3,737,332.18
Survivorship Payments	\$261,162.44	\$205,917.51	\$150,347.79
Ordinary Disability Payments	\$21,115.62	\$24,343.92	\$16,302.78
Accidental Disability Payments	\$352,887.26	\$307,017.38	\$306,275.84
Accidental Death Payments	\$67,693.68	\$98,433.37	\$56,213.04
Section 101 Benefits			
(b) 5755-3(8)(c) Reimbursements to Other Systems	\$293,266.96	\$556,670.49	\$514,465.86
(c) 5752-COLA's Paid	90,179.00	103,458.14	96,160.82
(d) 5753-Chapter 389 Beneficiary Increase Paid	0.00	0.00	0.00
Subtotal	<u>\$5,372,014.46</u>	<u>\$5,285,229.97</u>	<u>\$4,877,098.31</u>
<b>4 Military Service Fund:</b>			
(a) 4890-Return to Municipality for Members who withdrew their funds	0.00	0.00	0.00
Subtotal	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
<b>5 Expense Fund:</b>			
(a) 5118-Board Member Stipend	\$18,000.00	\$18,000.00	\$17,500.00
(b) 5119-Salaries	\$233,572.25	\$230,732.28	\$223,749.23
(c) 5304-Management Fees	\$442,197.97	\$391,767.90	\$362,856.28
(d) 5305-Custodial Fees	\$10,000.00	\$15,070.33	\$16,250.25
(e) 5307-Consultant Fees	\$20,000.00	\$20,000.00	\$20,000.00
(f) 5308-Legal Expenses	\$6,701.00	\$14,941.00	\$39,271.60
(g) 5309-Medical Expenses	\$0.00	\$0.00	\$0.00
(h) 5310-Fiduciary Insurance	\$9,803.50	\$9,498.00	\$8,802.00
(i) 5311-Service Contracts	\$0.00	\$0.00	\$0.00
(j) 5312-Rent	\$17,424.00	\$17,424.00	\$13,385.00
(k) 5315-Professional Services	\$14,450.00	\$16,450.00	
(l) 5320-Education and Training	\$9,238.00	\$1,865.00	
(m) 5589-Administrative Expenses	\$37,686.54	\$42,100.25	\$50,640.68
(n) 5599-Furniture and Equipment	\$7,536.93	\$3,213.22	\$6,727.31
(o) 5719-Travel	\$2,520.72	\$3,010.77	\$5,073.89
Subtotal	<u>\$829,130.91</u>	<u>\$784,072.75</u>	<u>\$764,256.24</u>
<b>TOTAL DISBURSEMENTS</b>	<b>\$8,322,823.87</b>	<b>\$7,787,711.45</b>	<b>\$7,191,107.69</b>

### Budget Cover

	2011 Expended	2012 Budget	2012 Annualized Expenditures	2013 Proposed Budget
<b>Salaries</b>				
Board Stipends	18,000.00	18,000.00	19,667.00	20,500.00
Salaries and Wages	203,782.92	216,156.00	208,777.00	223,777.00
Payroll Taxes	3,607.33	3,930.00	3,795.00	4,150.00
Health & Life Insurance	28,182.00	28,430.00	21,880.47	28,843.00
Accrued Benefit Payout		5,000.00	1,127.00	5,000.00
<b>Total Salaries</b>	<b>251,572.25</b>	<b>271,516.00</b>	<b>255,216.47</b>	<b>280,270.00</b>
<b>Administration</b>				
Legal	6,701.00	25,000.00	23,000.00	25,000.00
Insurance	9,803.50	10,150.00	10,092.00	10,637.00
Rent Expense	17,424.00	17,424.00	17,589.00	17,950.00
Professional Service - Various	1,950.00	2,359.00	1,950.00	2,359.00
Actuarial Valuation Expense		15,000.00	15,000.00	0.00
Audit Expense	12,500.00	13,000.00	13,000.00	0.00
Education and Training	9,238.00	23,723.00	13,600.00	13,103.00
Administrative Exp. - Various	1,638.42	4,840.00	2,639.51	4,825.00
Dues	450.00	500.00	450.00	500.00
Office Supplies	2,395.17	3,600.00	1,787.00	3,650.00
Postage	4,733.71	5,500.00	4,750.00	5,500.00
Utilities	4,733.81	5,082.00	5,303.00	5,582.00
Members Education	137.25	750.00	0.00	750.00
Board Election	108.08	0.00	0.00	0.00
Travel	2,520.72	6,050.00	1,531.00	6,050.00
<b>Total Administration</b>	<b>74,333.66</b>	<b>132,978.00</b>	<b>110,691.51</b>	<b>95,906.00</b>
<b>Equipment</b>				
Equipment & Software Maint.	23,490.10	28,880.00	24,455.00	29,970.00
Misc., Furniture & Equipment	292.36	1,500.00	894.00	1,500.00
OPEB Software		750.00	0.00	750.00
Staff Computers	5,405.92	0.00	0.00	0.00
Website	1,838.65	6,120.00	1,979.40	2,120.00
<b>Total Equipment</b>	<b>31,027.03</b>	<b>37,250.00</b>	<b>27,328.40</b>	<b>34,340.00</b>
<b>Total Operations</b>	<b>356,932.94</b>	<b>441,744.00</b>	<b>393,236.38</b>	<b>410,516.00</b>
<b>Investments</b>				
Management Fees	442,197.97	500,000.00	450,000.00	500,000.00
Custodial Fees	10,000.00	10,000.00	15,532.00	16,000.00
Investment Consultant	20,000.00	20,000.00	20,000.00	23,000.00
<b>Total Investments</b>	<b>472,197.97</b>	<b>530,000.00</b>	<b>485,532.00</b>	<b>539,000.00</b>
<b>Total Investment Expenses</b>	<b>472,197.97</b>	<b>530,000.00</b>	<b>485,532.00</b>	<b>539,000.00</b>
<b>Grand Total</b>	<b>829,130.91</b>	<b>971,744.00</b>	<b>878,768.38</b>	<b>949,516.00</b>

This concludes this report. Please call or email with questions.  
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